

UNITED STATES GOVERNMENT

# Memorandum

Assoc. Dir. \_\_\_\_\_  
Dep. AD Adm. \_\_\_\_\_  
Dep. AD Inv. \_\_\_\_\_  
Asst. Dir.: \_\_\_\_\_  
Admin. \_\_\_\_\_  
Comp. Sys. \_\_\_\_\_  
Ext. Affairs \_\_\_\_\_  
Files & Com. \_\_\_\_\_  
Gen. Inv. \_\_\_\_\_  
Ident. \_\_\_\_\_  
Inspection \_\_\_\_\_  
Intell. \_\_\_\_\_  
Laboratory \_\_\_\_\_  
Plan. & Eval. \_\_\_\_\_  
Spec. Inv. \_\_\_\_\_  
Training \_\_\_\_\_  
Legal Coun. \_\_\_\_\_  
Telephone Rm. \_\_\_\_\_  
Director Sec'y \_\_\_\_\_

TO :

DATE: 9-4-74

b6  
b7C

FROM :

SUBJECT:

STATE SENATOR (REPUBLICAN)  
STATE OF NEW JERSEY  
INFORMATION CONCERNING

*State Police - N. J.*

*Dave Kelly*

Senator [ ] telephonically contacted the Director's Office on Thursday, August 29th, and was referred to SA [ ]

He indicated that he had learned that the Director was planning to make an inspection trip in the New Jersey area and would be attending the testimonial dinner on Saturday, September 14th, for the New Jersey State Police Superintendent, David Kelly, who is resigning. [ ] mentioned that the only purpose of his call was to alert the Director to a situation which has taken place in the New Jersey area dealing with a state trooper named [ ] which does not, according to [ ] augur well for Superintendent Kelly. Senator [ ] thought that the Director, if he did not already know of this situation, would want to be aware of it as his appearance at Superintendent Kelly's testimonial dinner on September 14th might prove embarrassing to the Director according to [ ]

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[ ] indicated that additional information could be obtained from former U. S. Attorney Herbert Stern and present U. S. Attorney Jonathan Goldstein. In addition, [ ] indicated that there was an article on the situation he mentioned which appeared in "The Wall Street Journal" of Thursday, August 22nd. A copy of this article has been located and is attached.

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Bufiles contain no information identifiable with Senator [ ] or Detective [ ] of the New Jersey State Police.

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Senator [ ] was thanked for his interest and telephone call. He was advised that the Director would be apprised of his call. Mr. Kelley, by letter dated 7-19-74, indicated to [ ] of Maywood, New Jersey, that he did not at that time know positively whether he could attend "Dave" Kelly's testimonial dinner; however, he would let [ ] know by September 1st or earlier if possible. It is to be held at the Robert Treat Hotel in Newark.

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Enclosure

ENCLOSURE

REC-1

62-33488-338

CONTINUED - OVER

- 1 - [ ] Enclosure
- 1 - [ ] Enclosure b6
- 1 - [ ] Enclosure b7C
- 1 - Telephone Room - Enclosure

GEM:nb3 567131974

SEP 11 1974

*file*  
*g/g*

[redacted] to [redacted] memo b6  
RE: [redacted] b7C

The article entitled "The Outcast" by a staff reporter of "The Wall Street Journal" indicated that Detective James Challenger of the New Jersey State Police had progressed from Trooper to assignment as a Detective with the prestigious major crimes unit and was responsible for cracking a number of big cases. In May, 1971, he determined that a check for \$1,500 made out by a Butchers' Union official to the 1969 gubernatorial campaign of William Cahill was cashed at the Garden State Race Track and that hundreds of thousands of dollars of similar checks were cashed at the same Race Track, which happens to be owned by Eugene Mori, the son-in-law (and general manager of the track) of Joseph McCrane, whom Governor Cahill appointed State Treasurer after the 1969 election. Most of the checks came from contractors, engineers and others who did business with the state. Detective Challenger turned over his evidence to his superiors, but nothing was done. In February, 1973, he was abruptly reassigned to menial turnpike duty. He requested a meeting with New Jersey State Police Superintendent Kelly to find out why he was transferred and what was happening to the corruption investigation but, according to the article, Mr. Kelly never responded. Challenger thereafter contacted then U. S. Attorney Herbert Stern who took the documents Detective Challenger had photocopied and preserved and instituted a Grand Jury proceeding. As a result, numerous indictments of state officials were handed down and most of them pleaded guilty or were convicted. The majority of the convictions related to tax fraud matters. Detective Challenger considered the indictments a vindication of himself, but the Attorney General of New Jersey contended that Challenger had violated regulations by going outside the State Police with this complaint and that his action was unwarranted and unproductive. He indicated that the State had been investigating these campaign contributions in conjunction with the Internal Revenue Service but the U. S. Attorney, Mr. Stern, stated there had been no active state investigation in connection with the IRS. Detective Challenger hoped that his situation would improve with the new Attorney General in January, 1974, but it did not. The article concludes by stating that in the heat of publicity over complaints by New Jersey State Troopers and the Challenger matter, the New Jersey State Police Superintendent resigned and took a job as head of security for A & P (Atlantic and Pacific Tea Company).

Bufiles contain no information to amplify the article. The Newark Office has been contacted regarding this matter and reported that Senator [redacted] has a vendetta against Superintendent Kelly and others involved in this matter. He has spent considerable time and effort in keeping the matter before the public.

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4/25 - 2 -

RECOMMENDATION - OVER



[redacted] to [redacted] memo  
RE: [redacted]

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RECOMMENDATION:

For consideration of the Director in connection with his possible attendance at the testimonial dinner for Colonel Kelly on September 14, 1974, in Newark, New Jersey.

*Doney  
Jm*

*APJ  
HAC*

*I had already dictated a letter stating I could not attend.*

*K/*

*pt*

## The Outcast

### A Detective's Efforts In Breaking a Big Case Weren't Appreciated

### Big Shots Were Indicted, But James Challenger Is Back on Hubcap Patrol Displaying a 'Serpico' Poster

By JONATHAN KWIENY

Staff Reporter of THE WALL STREET JOURNAL

MERCERVILLE, N.J.—If the New Jersey State Police encountered a really big case, Detective James Challenger was as likely as any trooper to crack it.

After graduating first in his class from the state police academy in 1964, he worked his way through the ranks, earning one commendation after another. While on menial duty patrolling the New Jersey Turnpike, he uncovered a \$2.5 million marijuana haul and was promoted to the criminal investigation section. There, he helped obtain evidence that convicted a state judge of bribery and spearheaded the detective work that led to labor racketeering indictments against leaders of the meatcutters' and ironworkers' unions.

Following a letter of praise from State Police Superintendent David Kelly for his "diligent dedication to duty and... conscientious investigative efforts," and his receipt of an unusual \$750 bonus, Detective Challenger was promoted to the prestigious major crimes unit in August 1972.

It was about then that he cracked a really big case, which involves some of the biggest politicians and government contractors in New Jersey.

#### Fall From Grace

And it was only six months later that Detective Challenger abruptly fell from grace as one of the state's leading detectives. He was taken off the case and subsequently sent back to the turnpike to trace hubcaps and other lost items. He has no permanent assignment, but is frequently shuffled from one post to another along the turnpike, which the state troopers refer to as "Siberia." His wife complains of tension in the house. "He hates the turnpike, and if a man hates his job, inevitably he brings some of it home with him," Nancy Challenger says.

When Detective Challenger asks what has happened on the big case he cracked, the detectives who replaced him say they have been instructed not to talk to him. He has been threatened with court-martial and suspension, and he has been interrogated for hours at a time by his superiors. (Detective Challenger won't allow himself to be interviewed for fear of further reprisals; Mrs. Challenger sometimes talks to newsmen in his stead.)

The Challenger story seems in many ways a reenactment of the story of Frank Serpico, the New York City policeman who was led into an almost-fatal midnight and later hounded off the force after he went to an outside agency to expose corruption among his fellow officers. That story recently was the subject of a movie, and Detective Challenger keeps an ad poster of the film above his desk.

Mr. Serpico, of course, was a bearded, unconventional character, whereas Detective Challenger is short-haired, clean-shaven and scrupulously conservative in attire and demeanor. He has a pretty blonde wife, a tidy home in a modest suburban development and four attractive children. But much like Mr. Serpico, Detective Challenger blew the whistle on a case of corruption that his superiors seemed to be ignoring—and caught hell for it.

#### Clue of the Cashied Check

The clue that set Detective Challenger onto his big case was a check for \$1,500 made out by a butchers' union official to the 1969 gubernatorial campaign of William Cahill. In May 1971 Detective Challenger's superiors assigned him to investigate why the check was cashed at the Garden State Race-track—not the place where the average gubernatorial campaign does its banking.

Within a year, Detective Challenger had discovered hundreds of thousands of dollars in similar checks, all cashed at the race-track—which happened to be owned by Eugene Mori, whose son-in-law (and general manager of the track) was Joseph McCrane, whom Gov. Cahill had appointed state treasurer after the 1969 election. Most of the checks came from engineers, contractors and others who did business with the state. The checks were made out to a Cahill campaign fund whose name was slightly different from that of the official campaign fund.

Detective Challenger found that companies issuing the checks received in return invoices "for professional services" from a Cherry Hill, N.J., public relations firm, Writer's Associates. This allowed the donors to deduct their campaign gifts (which in the case of corporations were apparently illegal to begin with) from their federal income taxes (which also apparently was illegal). Detective Challenger then located a key employee of Writer's Associates: a Cahill campaign worker named Suzanne Phillips.

In a state where Democrats were being marched off to jail with monotonous regularity, the revelation of corruption in Republican politics promised shocking headlines. Detective Challenger turned over his explosive evidence and waited. But the headlines didn't come.

#### Promoted Off the Case

Detective Challenger had begun his probe while in the criminal investigation section; in August 1972, while still on the case, he suddenly won his long hoped-for promotion to the major crimes unit. Normally, according to Mrs. Challenger, he would have continued despite the transfer to work on campaign corruption until the investigation was complete. (The state police won't comment on whether the normal policy is to allow troopers to complete ongoing investigations before being transferred.) But Detective Challenger was told to leave

Please see page 23, Column 4

ENCLOSURE

THE WALL STREET JOURNAL  
Thursday, August 27, 1974

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# The Outcast: Cracking a Big Case Won One Detective Lots of Grief

Continued From Page One

the corruption matter behind with his colleagues in the criminal investigation section.

As the months went by, he handled murders and arsons for the major crimes unit, all the while trying to learn why the corruption probe never broke into the open with indictments. It was then that his former colleagues said they had been ordered not to discuss it with him. In February 1973 he was abruptly reassigned to menial turnpike duty. "I thought he was joking when he called from work to tell me," Mrs. Challenger says.

His suspicions finally getting the better of him, Detective Challenger requested a meeting with Mr. Kelly, the police superintendent, to find out why he had been transferred and what was happening to the corruption investigation. According to Mrs. Challenger, Mr. Kelly never responded.

So the detective decided to take matters into his own hands. With Lewis Kaden, the lawyer for a state troopers' fraternal organization, he went to visit then-U.S. Attorney Herbert Stern, now a federal judge, who was principally responsible for locking up so many of the former Democratic officeholders.

Mr. Stern was impressed by the stack of documents Detective Challenger had photocopied and preserved from his investigation. A grand jury was put on the trail. The comings and goings of big shots to testify aroused the curiosity of the press. A story was leaked that a disgruntled state trooper had touched off the federal investigation. Mrs. Challenger says her husband still doesn't know who leaked the story, but Detective Challenger's name was in headlines before long. He was called on the carpet and threatened with disciplinary action.

Then Came the Indictments

Meanwhile, indictments started to cascade from the federal grand jury. The accused:

--State Treasurer McCrane, a West Point graduate and Army Reserve major; for tax-fraud conspiracy; case pending.

--Nelson Gross, a former state assemblyman and U.S. Senate candidate who became a powerful Republican figure when he swung the New Jersey delegation to give Richard Nixon the first-ballot nomination at the 1968 GOP National Convention and who was later appointed by Mr. Nixon to head the government's International Narcotics Control Program; for tax fraud conspiracy and obstruction of justice; convicted in March of five counts, and is appealing.

--Bellante, Clauss, Miller & Nolan Inc., a Cranston, Pa., engineering firm whose senior partner was a close friend of Gov. Cahill's; for tax fraud in connection with deflating alleged campaign contributions as business expenses; pleaded guilty in June 1973.

--John F. Meade Inc., a Cherry Hill, N.J., electrical contractor; for tax fraud; pleaded guilty in September 1973.

--Hialeah Race Course Inc., a Florida track formerly connected with Mr. Mori; for tax fraud; pleaded guilty in December 1973.

--Monmouth Park Jockey Club, Garden State Racetrack and Atlantic City Racetrack; for tax fraud; all awaiting trial.

--Several other construction contractors and an advertising firm, which are doing millions of dollars of work for such employers as the New Jersey sports complex and the New Jersey lottery.

"An Indian, Not a Chief"

Detective Challenger considered the indictments a vindication of himself, but he got no action on his grievances. Gov. Cahill's attorney general, George Kugler, contended both that the detective had violated regulations by going outside the state police with his complaint and that this action was unwarranted and unproductive. Mr. Kugler said that the state had been investigating the campaign contributions all along, in conjunction with the Internal Revenue Service. Detective Challenger, he said, was "an Indian, not a chief," and therefore had been unaware of the real investigation. "Either

hand, Mr. Sherwin later was convicted. The commission of investigation cleared Mr. Kugler in the matter, determining that Mr. Stern had a bad memory when he testified.

the public believes Detective Challenger or they believe in the integrity of the New Jersey State Police," Mr. Kugler concluded.

Mr. Stern, the U.S. attorney, replied publicly that the people could believe Detective Challenger. He said there hadn't been any active state investigation in connection with the IRS. After Mr. Gross's trial, Mr. Stern's successor, as U.S. attorney, Jonathan Goldstein, told the court: "This case began a year ago when a courageous state policeman, James Challenger, came to our office and advised us that he had not been allowed to complete his investigation into alleged wrongdoing."

The argument began to sound like a revival of a Stern-Kugler feud of 1972. Then, Mr. Stern told the state commission of investigation that Mr. Kugler had known about political bribes accepted by former New Jersey Secretary of State Paul Sherwin but didn't act until Mr. Stern forced his

Detective Challenger had high hopes that his lot would improve in January of this year when Democratic Gov. Brendan Byrne took office and replaced Mr. Kugler with a new attorney general, William Hyland. Gov. Byrne's new special counsel was none other than Mr. Kaden, Detective Challenger's former lawyer. Gov. Byrne assigned Mr. Hyland to investigate the Challenger matter and other complaints that the state troopers' organizations had against Mr. Kelly. In the heat of publicity over the troopers' complaints, Mr. Kelly resigned and took a job as head of security for A&P. He won't comment now on the Challenger matter, pending Mr. Hyland's report, which has been delayed several times. A spokesman for Mr. Hyland told the Journal the report could be issued in a week or two. Mr. Kaden says he has stayed out of the Challenger inquiry because of the potential conflict of interest.

Meantime, New Jersey's former ace detective stays on hubcap patrol.

September 26, 1974

REC-311  
EX-111  
62-33488-339  
[Redacted]  
Dear [Redacted]:

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Your letter of September 19th, with enclosure, has been received and I want to thank you for bringing this information to my attention. As I mentioned in my message published in the August, 1974, issue of the FBI Law Enforcement Bulletin, "Integrity is an indispensable ingredient of law enforcement performance." I am enclosing two items in this regard which I hope you will find of interest.

Sincerely yours,

CLM Kelley

Clarence M. Kelley  
Director

MAILED 20  
SEP 26 1974  
FBI

Enclosures (2)  
A Professor's "Street Lessons"  
LEB Introduction 8-74

NOTE: Bufiles indicate no record of correspondent. The news clipping is regarding New Jersey State Trooper [Redacted] who was put back on turnpike patrol after uncovering graft involving high Government officials in his state. He later brought the information to the attention of the United States Attorney. A Federal grand jury investigation and guilty pleas followed. This material has previously been brought to the Bureau's attention.

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mn:dsh (3)

MAIL ROOM ☐ TELETYPE UNIT ☐

RECEIVED  
FBI  
SEP 27 1974  
FBI

GPO 554-346